APPENDIX A

United States Court of Appeals for the Federal Circuit

06-1077

TRANSCLEAN CORPORATION, JAMES P. VIKEN, JON A. LANG, and DONALD E. JOHNSON,

Plaintiffs-Appellants,

v.

JIFFY LUBE INTERNATIONAL, INC.,

Defendant-Appellee,

and

REGIONAL CAR WASH DISTRIBUTORS, INC., WALT GISLASON (doing business as Walt's Soft Car Wash), and MIKE'S IN AND OUT 10 MINUTE OIL CHANGE,

Defendants-Appellees,

and

INDY LUBE, INC.,

Defendant-Appellee,

and

FRESH START, INC., LUBRICATION TECHNOLOGIES, INC., LAYNE R. BASE (doing business as Heartland Express Lube), and PERFECT "10" QUICK LUBE, INC.,

Defendants-Appellees,

and

ULTRA LUBE, INC.,

Defendant,

and

BOB CLEMONS (doing business as Wonder Lube), BILL CLARK OIL CO., INC., ROYAL LUBE SERVICE, INC., 13 NORTH EXPRESS LUBE, INC., SPOT'S QUICK LUBE, INC., and WHITE BEAR TIRE & AUTO, INC.,

Defendants.

Alan M. Anderson, Fulbright & Jaworski L.L.P, of Minneapolis, Minnesota, argued for plaintiffs-appellants Transclean Corporation, et al. With him on the brief was *Christopher A. Young*.

James W. Poradek, Faegre & Benson LLP, of Minneapolis, Minnesota, argued for defendant-appellee Jiffy Lube International, Inc. With him on the brief were *David J.F. Gross* and *Timothy E. Grimsrud*.

Gregory R. Anderson, Anderson Larson Hanson & Saunders, P.L.L.P., of Willmar, Minnesota, for defendants-appellees Regional Car Wash Distributors, Inc., et al.

Robert W. Gutenkauf, Gray, Plant, Mooty, Mooty & Bennett, of Minneapolis, Minnesota, for defendant-appellee Indy Lube, Inc.

David Jon Hoiland, Law Office of David Jon Hoiland, of Minneapolis, Minnesota, for defendants-appellees Fresh Start Inc., et al.

Appealed from: United States District Court for the District of Minnesota

Senior Judge Paul A. Magnuson

DECIDED: January 18, 2007

Before MICHEL, *Chief Judge*, PLAGER, *Senior Circuit Judge*, and BRYSON, *Circuit Judge*.

PLAGER, *Senior Circuit Judge*.

Transclean Corporation, James P. Viken, Jon A. Lang, and Donald E. Johnson (collectively "Transclean") brought suit

against Bridgewood Services, Inc. ("Bridgewood"), alleging that the automatic transmission fluid changing machine manufactured and sold by Bridgewood, the "T-Tech machine," infringed Transclean's patent. Transclean obtained a judgment in its favor, including a damages award of $1,874,500. The judgment and award were affirmed on appeal. *Transclean Corp.* v. *Bridgewood Servs., Inc.*, 290 F.3d 1364 (Fed. Cir. 2002) ("*Transclean I*").

Transclean then filed a separate patent infringement suit against Jiffy Lube International, Inc. ("Jiffy Lube") and more than thirty other fast lube businesses, each of which had purchased one or more T-Tech machines from Bridgewood. That case is the subject of the present appeal.

In this case, the district court granted summary judgment in favor of Jiffy Lube and eight other defendants ("Participating Defendants"), holding that under the doctrine of claim preclusion, the judgment against Bridgewood bars Transclean from bringing a separate infringement action against Bridgewood's customers. The district court previously had entered default judgment in favor of Transclean against several other defendants ("Defaulting Defendants"), none of whom had answered the complaint. Because we agree with the district court that under the doctrine of claim preclusion Transclean may not obtain relief against the Participating Defendants, we affirm that portion of the district court's judgment. In light of that affirmance, we conclude that the claims against the Defaulting Defendants should be disposed of in the same manner; accordingly, the judgment in favor of Transclean and against the Defaulting Defendants is reversed.

BACKGROUND

Viken, Lang, and Johnson are the owners of U.S. Patent No. 5,318,080 ("the '080 patent"); Transclean is their exclusive licensee. The patent is directed to an apparatus for changing automatic transmission fluid. In October 1997, Transclean filed a patent infringement suit in the United

States District Court for the District of Minnesota against Bridgewood, a manufacturer and distributor of transmission service equipment. Soon thereafter, Bridgewood sold its assets to Century Manufacturing Company, which took a license from Transclean under the '080 patent for T-Tech machines sold on or after May 1, 1998. Any T-Tech machines manufactured before that date remained the subject of litigation between Transclean and Bridgewood.

This court's opinion in *Transclean I* discusses the Bridgewood litigation in detail; here we provide only the facts of that case that are relevant to the present appeal. With regard to liability issues, the trial court in the Bridgewood litigation granted Transclean's motion for summary judgment that Bridgewood infringed claims 1-4 and 12 of the '080 patent, after barring Bridgewood from asserting it did not infringe as a sanction for Bridgewood's failure to answer an interrogatory seeking the bases for its non-infringement position. When the case proceeded to trial, a jury found that Bridgewood infringed claim 13. On appeal we affirmed the judgment of infringement of claims 1-4 and 12, but after correcting the claim construction we vacated the judgment of infringement of claim 13. *Transclean I*, 290 F.3d at 1373-75.

With regard to damages, the jury in the Bridgewood case awarded Transclean three types of damages totaling $5.5 million. *Id.* at 1375. The trial court granted Bridgewood's motion for a new trial or remittitur in the amount of $1,874,500, the highest amount of reasonable royalty damages that the jury could have awarded based on the evidence. *Id.* at 1375. Transclean apparently accepted the remittitur, and neither party appealed that portion of the damages award. *Id.* Transclean alleges it has not collected on the judgment against Bridgewood.

Soon after this court affirmed the judgment against Bridgewood, Transclean filed the current infringement suit in the District of Minnesota, this time against Jiffy Lube and more than thirty other fast lube businesses, including many small, independently owned shops that use a single T-Tech

machine. In this case, the subject of the present appeal, Transclean alleges that the defendants infringe the '080 patent by using T-Tech machines purchased from Bridgewood prior to May 1, 1998. Thus the accused devices in this case were also the subject of the suit against Bridgewood. Transclean seeks a "reasonable royalty" of $10,000 for the use of each allegedly infringing device.

Several defendants failed to answer the complaint, and Transclean filed a motion for default judgment against them. The trial court granted the motion in part, ordering entry of default judgment and a permanent injunction against those defendants but finding that it was premature to enter a default damages award at that time. *Transclean Corp.* v. *Bill Clark Oil Co.*, No. 02-1138 (D. Minn. Nov. 5, 2003) (order).[1]

Transclean, Jiffy Lube, and some of the other Participating Defendants[2] filed various motions for summary judgment, most of which alleged that the judgment in the Bridgewood litigation had some preclusive effect. Transclean filed a motion for summary judgment in which it argued that the defendants in this case should be precluded from asserting a non-infringement defense because the Bridgewood litigation concluded with a judgment of infringement by the same T-Tech machines. As part of its argument that issue preclusion

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[1] In that order, the trial court entered default judgment against Defendants 13 North Express Lube, Inc.; Bill Clark Oil Co., Inc.; Royal Lube and Service, Inc.; Spots Quik Lube, Inc.; White Bear Tire & Auto, Inc.; and two others that were later dismissed from the case. In subsequent orders, the trial court entered default judgment against Ultra Lube and Bob Clemons (doing business as Wonder Lube).

[2] In addition to Jiffy Lube, the Participating Defendants are Regional Car Wash Distributors, Inc.; Walt Gislason (doing business as Walt's Soft Car Wash); Mike's In and Out 10 Minute Oil Change; Indy Lube, Inc.; Fresh Start, Inc.; Lubrication Technologies, Inc.; Layne R. Base (doing business as Heartland Express Lube); and Perfect "10" Quick Lube, Inc.

applied, Transclean asserted that the defendants were in privity with Bridgewood. The trial court denied Transclean's motion on the ground that the issue of infringement was not actually litigated in the Bridgewood litigation because the infringement determination in that case was in large part a sanction for abuse of discovery. *Transclean Corp.* v. *Reg'l Car Wash Distribs., Inc.*, No. 02-1138, 2004 WL 1453509, at *7-8 (D. Minn. June 18, 2004).

In the same opinion, the trial court granted Jiffy Lube's motion for summary judgment that Transclean was precluded from bringing infringement claims against Jiffy Lube. The trial court concluded that the elements of claim preclusion were satisfied. First, there was no dispute that the Bridgewood litigation ended in a final judgment on the merits or that the court properly exercised jurisdiction in that matter. Nor did Transclean dispute that Jiffy Lube was in privity with Bridgewood, the defendant in the prior litigation. Finally, Transclean did not dispute that during the first litigation it was aware of Jiffy Lube's use of T-Tech machines and could have brought claims against Jiffy Lube. *Id.* at *2. The trial court noted, however, that summary judgment based on claim preclusion was not appropriate as to other defendants until they came forward with evidence that Transclean knew or should have known about them during the Bridgewood litigation. *Id.* at *3.

Transclean later conceded it was aware that each of the Participating Defendants had purchased and used at least one T-Tech machine while the Bridgewood litigation was pending. In response thereto, the trial court granted summary judgment in favor of the Participating Defendants. *Transclean Corp.* v. *Bill Clark Oil Co.*, No. 02-1138, 2004 WL 2730101, at *2 (D. Minn. Nov. 18, 2004).

When Transclean moved for a determination of damages against the Defaulting Defendants—the trial court having earlier rendered judgment against them—the trial court sua sponte raised the defense of issue preclusion on their behalf. *Transclean Corp.* v. *Bill Clark Oil Co., Inc.*, No. 02-1138,

2005 WL 2406036, at *2 (D. Minn. Sept. 29, 2005) ("*Damages Opinion*"). The trial court held that Transclean was precluded from seeking a $10,000 royalty for the use of each infringing machine because that theory was not presented in the Bridgewood litigation. Accordingly, the court limited the damages award to $550 per infringing T-Tech machine, the amount awarded in the Bridgewood litigation.[3] *Id.* at *3. The trial court then awarded Transclean treble damages under 35 U.S.C. § 284 because the Defaulting Defendants did not respond to Transclean's allegations of willful infringement. This resulted in a damages award of $1,650 against each of the Defaulting Defendants. *Id.* at *3.

The trial court entered judgment in accordance with its various decisions. Transclean appeals from that judgment, challenging the trial court's rulings that claim preclusion bars Transclean's suit against the Participating Defendants and that issue preclusion limits the amount of damages recoverable from the Defaulting Defendants. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

DISCUSSION

I. Participating Defendants

Transclean's primary argument against the application of claim preclusion as a bar to its infringement claims against the Participating Defendants is that the law generally allows a patentee to sue manufacturers or sellers and users of an infringing device as joint tortfeasors, and that the law permits multiple suits, just not multiple (i.e., double) recoveries. This rule has its genesis in *Birdsell* v. *Shaliol*, 112 U.S. 485 (1884), in which the Supreme Court held that a patentee who had recovered only nominal damages against the manufacturer of an infringing product could subsequently sue users of the infringing product. The Court indicated that a patentee may not sue users of an infringing product for damages if he

[3] The trial court arrived at this figure by dividing $1,874,500, the total damages award in the Bridgewood litigation, by 3400, the number of T-Tech machines sold by Bridgewood.

has collected actual damages from a manufacturer or seller, and those damages fully compensate the patentee for infringement by users. *Id.* at 488-89; *see also Glenayre Elecs., Inc.* v. *Jackson*, 443 F.3d 851, 864 (Fed. Cir. 2006) (citing *Birdsell* and holding that a patentee could not sue users for damages because actual damages covering the use of the product had already been recovered from the manufacturer); *Shockley* v. *Arcan, Inc.*, 248 F.3d 1349, 1364 (Fed. Cir. 2001) ("Each joint tort-feasor is liable for the full amount of damages (up to a full single recovery) suffered by the patentee." (citing *Birdsell*, 112 U.S. at 488-89)).

In light of *Birdsell* and its progeny, Transclean contends it is free to sue users of the T-Tech machine because it has not collected on the judgment against Bridgewood. That is true as far as it goes, but Transclean's argument fails to take into account the separate issue of claim preclusion, under which such a second suit, otherwise available, may be barred. As the trial court correctly noted, the issue in this case is not whether Transclean may sue both the manufacturer and users of the T-Tech machine. The issue is whether, having failed to bring infringement claims against the users in the first litigation, Transclean should be barred under the doctrine of claim preclusion from bringing those claims in a second suit. "[A] plaintiff who chooses to bring two separate actions against two tortfeasors who are jointly responsible for the same injury runs the risk that the court will find the parties sufficiently related that the second action is barred by claim preclusion." *Mars Inc.* v. *Nippon Conlux Kabushiki-Kaisha*, 58 F.3d 616, 620 (Fed. Cir. 1995). Despite Transclean's protestations to the contrary, *Birdsell* and the other cases relied on by Transclean involve only the doctrine of full compensation. *See Glenayre*, 443 F.3d at 862-64; 7 Donald S. Chisum, *Chisum on Patents* § 20.03[7][b][iii] (2002). They do not address the added question of when and how claim preclusion may arise in such second suits.

We now turn to that question—whether claim preclusion principles bar Transclean's claims against the Participating

Defendants in this case. As an initial matter, the parties disagree about whether the claim preclusion issues in this case should be decided under the law of the Federal Circuit or the applicable regional circuit, here the Eighth Circuit. Transclean argues that the question before us is specific to patent law—whether a patentee may sue the users of an infringing device when it cannot recover on a judgment awarded against the manufacturer of the same infringing device. As discussed, that question and the cases relied on by Transclean do not relate to claim preclusion but instead involve the doctrine of full compensation.

Rather, as we shall explain, the key question before us is whether Transclean should be bound by its repeated statements that the defendants were in privity with Bridgewood, against whom Transclean obtained a judgment in an earlier litigation. This question is not one peculiar to patent law, and therefore we will look to Eighth Circuit law for guidance in deciding the issue. *See Mars*, 58 F.3d at 618 (looking to regional circuit law to determine whether claim preclusion may be invoked by corporate parent following patent infringement judgment against wholly owned subsidiary).

Under the doctrine of claim preclusion in the Eighth Circuit, an earlier suit bars a party from asserting a claim in a later suit if (1) the first suit resulted in a final judgment on the merits; (2) the prior judgment was rendered by a court of competent jurisdiction; (3) both suits involve the same cause of action; and (4) both suits involve the same parties or their privies. *Banks* v. *Int'l Union Elec., Elec., Technical, Salaried & Mach. Workers*, 390 F.3d 1049, 1052 (8th Cir. 2004). Two suits are based on the same cause of action if they arise out of the same nucleus of operative facts. *Id.* The parties do not dispute that the first two elements are satisfied.

Transclean argues in its briefs that its cause of action against the Participating Defendants is different from its cause of action in the Bridgewood litigation. In the earlier case, according to Transclean, Bridgewood was accused of infringing the '080 patent by *making and selling* T-Tech

machines. Here, in contrast, Transclean alleges that the defendants infringe by *using* T-Tech machines. However, this case concerns the same patent and the exact same devices that were the subject of the Bridgewood litigation. There is little doubt that a second suit against Bridgewood itself for using the same T-Tech machines that were the subject of the earlier infringement judgment would involve the same cause of action as the prior litigation under the doctrine of claim preclusion. Indeed, Transclean's attorney conceded this point at oral argument.

In our view, the real question is whether the relationship between the defendants and Bridgewood was so close that they were in privity for claim preclusion purposes. If the answer is yes, it would follow that the case before us involves the same cause of action as the Bridgewood litigation, and Transclean would be precluded from maintaining the claims in this suit. Thus, in the context of this case, we need not decide whether infringement by making and selling a patented invention and infringement by using the patented invention generally involve the same cause of action; the privity issue answers the question for us.

The issue of privity was not in dispute before the trial court because Transclean admitted several times that the defendants in this case were in privity with Bridgewood. In its amended complaint, Transclean alleged that the defendants were bound by the infringement judgment in the Bridgewood litigation. To support this claim, Transclean took the position that issue preclusion principles barred the defendants from relitigating the infringement issue. Accordingly, Transclean asserted in an interrogatory answer that Jiffy Lube and Bridgewood were in privity because Jiffy Lube purchased infringing T-Tech machines manufactured by Bridgewood. Transclean continued to press its issue preclusion theory in a summary judgment motion, alleging again that the defendants were in privity with Bridgewood. As Transclean put it, Bridgewood and the defendants in this case are "closely related" and have an "identical interest in

defeating Transclean's infringement allegations and invalidating the '080 Patent." J.A. at 895.

Having already alleged that the defendants and Bridgewood were in privity when it argued that issue preclusion barred the defendants from raising a non-infringement defense, Transclean apparently felt compelled to admit that the parties were also in privity for claim preclusion purposes. Significantly, in its opposition to Jiffy Lube's motion for summary judgment, Transclean admitted that for purposes of claim preclusion Jiffy Lube and Bridgewood "are in privity because Bridgewood was a manufacturer of the infringing product and Jiffy Lube is a user of the same infringing product." J.A. at 670. And in its appeal brief to this court, Transclean expressly stated that the "first [i.e., privity] element [of claim preclusion] is met. As the District Court noted, and as they admitted themselves, the Participating [Defendants] have a 'special . . . relationship' of privity with Bridgewood." Appellant's Br. at 25. Only in its reply brief and at oral argument did Transclean begin to retreat from its position that privity exists between Bridgewood and the Participating Defendants, at least insofar as it would bar through claim preclusion Transclean's infringement claims.

The term 'privity' is a label that expresses the conclusion that a particular nonparty in earlier litigation should be treated the same as a party to that litigation for claim preclusion purposes. *Mars*, 58 F.3d at 619. In the Eighth Circuit, privity exists when the parties are "so closely related" and their interests are "so nearly identical" that "it is fair to treat them as the same parties for purposes of determining the preclusive effect" of the first judgment. *Ruple* v. *City of Vermillion*, 714 F.2d 860, 862 (8th Cir. 1983).

It is important to recognize that under this standard, a manufacturer or seller of a product who is sued for patent infringement typically is not in privity with a party, otherwise unrelated, who does no more than purchase and use the product. *Cf. Mars*, 58 F.3d at 619 (concluding that corporate parent and its wholly owned subsidiary, defendants

in separate patent infringement suits, were in privity for claim preclusion purposes). In other words, ordinarily such parties are not so closely related and their litigation interests are not so nearly identical that a patentee's suit against one would bar a second action against the other under the doctrine of claim preclusion.

The question facing us, therefore, is how to treat Transclean's representations that Bridgewood, the manufacturer and seller of the T-Tech machine, was in privity with its customers when the actual circumstances do not necessarily support that conclusion. Transclean made a tactical decision to admit that such a "special relationship" existed, first in connection with its issue preclusion argument and then for purposes of claim preclusion as well. Should Transclean be bound by its litigation strategy—its concession that Bridgewood and its customers were in privity?

The Participating Defendants argue that Transclean's admission is binding because privity is a question of fact that can be admitted. While there is a split of authority as to whether privity is a question of law or fact, *see L & S Indus., Inc.* v. *Williams*, 989 F.2d 929, 932 (7th Cir. 1993) (citing cases from different circuits), the Eighth Circuit has treated privity as a factual question, *see Kolb* v. *Scherer Bros. Fin. Servs. Co.*, 6 F.3d 542, 544 (8th Cir. 1993). As previously explained, privity was not disputed before the trial court—Transclean agreed with the defendants that they were in privity with Bridgewood for purposes of claim preclusion. Because there were no disputed issues of material fact with respect to privity or any other elements of claim preclusion, the trial judge correctly granted summary judgment on the claim preclusion issue in view of the record before him, including Transclean's repeated admissions that Bridgewood and the defendants in this case were in privity. *See* Fed. R. Civ. P. 56(c); *Anderson* v. *Liberty Lobby, Inc.*, 477 U.S. 242, 250 (1986).

Transclean, relying on its argument that under *Birdsell* it could sue Bridgewood's customers since it had not collected

on the judgment against Bridgewood, initially believed it could avoid the application of claim preclusion even though it conceded the existence of privity between Bridgewood and its customers. Apparently recognizing the problem with that position, Transclean now contends in its reply brief that privity cannot be admitted because it is a question of law and that we are free to determine that Bridgewood and the Participating Defendants were not in privity if that conclusion is supported by the actual facts. However, even if Transclean is correct that the issue should be characterized as a legal conclusion, we think Transclean should be bound by its concession under the doctrine of judicial estoppel.

"The doctrine of judicial estoppel prohibits a party from taking inconsistent positions in the same or related litigation. The underlying purpose of the doctrine is 'to protect the integrity of the judicial process.'" *Hossaini* v. *W. Mo. Med. Ctr.*, 140 F.3d 1140, 1142-43 (8th Cir. 1998) (citations omitted); *see also Key Pharms.* v. *Hercon Labs. Corp.*, 161 F.3d 709, 715 n.1 (Fed. Cir. 1998) (collecting cases and other relevant authority). Judicial estoppel is an equitable doctrine that may be invoked by a court at its discretion. *New Hampshire* v. *Maine*, 532 U.S. 742, 750 (2001). The Supreme Court recently acknowledged the viability of the doctrine and identified several non-exclusive factors that guide a court's decision whether to apply judicial estoppel: (1) the party's later position must be "clearly inconsistent" with its earlier position; (2) the party must have succeeded in persuading a court to adopt the earlier position, thereby posing a "risk of inconsistent court determinations"; and (3) "the party seeking to assert an inconsistent position would derive an unfair advantage or impose an unfair detriment on the opposing party if not estopped." *Id.* at 750-51.

While some circuits have limited application of judicial estoppel to inconsistent factual assertions, others have applied the doctrine to legal conclusions as well. *See* 18 James Wm. Moore et al., *Moore's Federal Practice* § 134.30 (3d ed. 2006). The Eighth Circuit has not specifically ad-

dressed whether judicial estoppel extends to legal positions, but the majority of circuits that have spoken on the issue have either squarely held that the doctrine may be applied to inconsistent legal positions or indicated that the doctrine would apply to questions of law, or at least the application of law to fact. *See* Kira A. Davis, Note, *Judicial Estoppel and Inconsistent Positions of Law Applied to Fact and Pure Law*, 89 Cornell L. Rev. 191, 202-08 (2003). In particular, the Federal Circuit has stated that a party may be judicially estopped from asserting clearly inconsistent positions on claim construction, which is a question of law. *See Interactive Gift Express, Inc.* v. *Compuserve Inc.*, 256 F.3d 1323, 1346 (Fed. Cir. 2001); *Key Pharms.*, 161 F.3d at 715. In the absence of Eighth Circuit law to the contrary, we conclude that judicial estoppel may be applied to the question of privity, whether considered a legal conclusion or a question of fact.

In this case, we find it appropriate to invoke judicial estoppel to hold Transclean to its concession that Bridgewood and its customers were in privity for claim preclusion purposes. The determination Transclean asks us to make—that Bridgewood and the defendants were not in privity for claim preclusion purposes—is clearly inconsistent with the position it advocated before the trial court and in its opening brief on appeal. The trial court accepted Transclean's admission of privity, and the defendants relied on that admission during both the trial and appellate phases of this litigation. As part of its litigation strategy, Transclean made the choice to concede privity between Bridgewood and its customers after choosing not to join the customers in the first litigation. Under the circumstances presented by this case, we believe Transclean should be held to the consequences of its choices. Transclean should not be permitted to reverse course this late in the proceedings simply because it now realizes its litigation strategy was unsuccessful. Accordingly, we affirm the trial court's grant of summary judgment in favor of the Participating Defendants.

II. Defaulting Defendants

The trial court granted judgment in favor of Transclean and against the Defaulting Defendants at a time before the merits of the suit had been aired, and before the claim preclusion issues had been fully litigated. The trial court subsequently applied issue preclusion to limit the award of damages against the Defaulting Defendants, awarding an amount lower than Transclean believed it was entitled to. That issue is before us on appeal. We need not decide the measure of damages issue, however, because we believe that Transclean's claims against the Defaulting Defendants should be barred by claim preclusion just as Transclean's claims against the Participating Defendants were barred.

Although the Defaulting Defendants did not plead claim preclusion as an affirmative defense, preclusion issues may be raised by a court sua sponte. This is precisely what the trial court in this case did when it raised the defense of issue preclusion on behalf of the Defaulting Defendants in determining the damages award against them. Although the general rule is that claim preclusion and issue preclusion must be pleaded, an exception exists where all relevant data and legal records are before the court and the demands of "comity, continuity in the law, and essential justice" mandate invocation of preclusion principles. *Damages Opinion*, 2005 WL 2406036, at *2 (citing *Warnock* v. *Pecos County, Tex.*, 116 F.3d 776, 778 (5th Cir. 1997)). The trial court found that these interests weighed in favor of applying issue preclusion to the Defaulting Defendants.[4]

We conclude that claim preclusion should be invoked in favor of the Defaulting Defendants for essentially the same reasons the trial court invoked issue preclusion on their behalf. *See Columbia Steel Fabricators, Inc.* v. *Ahlstrom Recovery*, 44 F.3d 800, 802-03 (9th Cir. 1995) (applying

[4] We note that Transclean's appeal on issue preclusion addresses only the merits; it does not challenge the trial court's decision to invoke issue preclusion in the first place.

claim preclusion sua sponte to non-appearing defendant). Transclean admitted that all the defendants in this case were in privity with Bridgewood because they purchased T-Tech machines from Bridgewood. Transclean never distinguished between the Participating Defendants and the Defaulting Defendants when it conceded privity; its later statements about privity focused on the Participating Defendants only because the trial court had already entered default judgment against the Defaulting Defendants. Transclean had a full and fair opportunity to present its arguments on privity and claim preclusion, and those arguments would not be any different with respect to the Defaulting Defendants than they are with respect to the Participating Defendants. It would be anomalous to preclude Transclean's claims against one group of defendants while allowing recovery from a second group of defendants when, as a result of Transclean's admission regarding privity, the elements of claim preclusion are satisfied for both groups. Under these circumstances, we believe that as a matter of law and fairness claim preclusion should bar Transclean's infringement claims against the Defaulting Defendants as well as those against the Participating Defendants.[5] Accordingly, the judgment against the Defaulting Defendants is reversed.

COSTS

Each party shall bear its own costs.

AFFIRMED-IN-PART and REVERSED-IN-PART

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[5] When applying claim preclusion to the Participating Defendants, the trial court was concerned with whether Transclean was or should have been aware of each defendant's use of the T-Tech machine during the pendency of the Bridgewood litigation. We think it unnecessary to make that determination for each of the Defaulting Defendants because the inquiry is subsumed in the privity issue.

APPENDIX B

UNITED STATES DISTRICT COURT

District of Minnesota

Transclean Corporation, James P. Viken, Jon A. Lang, and Donald E. Johnson,	**AMENDED JUDGMENT IN A CIVIL CASE**
v.	Case Number: 02-CV-1138 (PAM/RLE)

Bill Clark Oil Co., Inc., et al.,

☐ **Jury Verdict.** This action came before the Court for a trial by jury. The issues have been tried and the jury has rendered its verdict.

☒ **Decision by Court.** This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered.

IT IS ORDERED AND ADJUDGED THAT:

1. Plaintiff Transclean Corporation's Motion for Order for Determination of Damages (Clerk Doc. No. 240) is **GRANTED in part and DENIED in part**;

2. Plaintiff Transclean Corporation's Motion for Entry of Default and Default Judgment against Defendant Bob Clemons d/b/a Wonder Lube (Clerk Doc. No. 242) is **GRANTED**;

a. Defendant Bob Clemons d/b/a Wonder Lube is permanently enjoined from further and continued sale or use of any automatic transmission fluid exchange device manufactured by the manufacturer of the T-Tech automatic transmission fluid charging device before May 1, 1998;

b. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant Bob Clemons d/b/a Wonder Lube, in the amount of $1,650, with $1,146.70 in prejudgment interest, plus costs and attorneys' fees in an amount to be determined;

3. Plaintiff Transclean Corporation's Motion for Order of Contempt against Defendant White Bear Tire & Auto, Inc. (Clerk Doc. No. 244) is **GRANTED**;

a. Defendant White Bear Tire & Auto, Inc. is **IN CONTEMPT** for violating this Court's November 5, 2003 Order for Permanent Injunction through their continued use of automatic transmission fluid exchange devices that were manufactured by T-Tech Industries, Inc. before May 1, 1998;

b. Plaintiff Transclean Corporation is awarded its costs and attorneys' fees in an amount to be determined for bringing this Motion for Contempt against Defendant White Bear Tire & Auto, Inc.;

4. Defendants Automotive Parts Headquarters, Inc., National Bushing & Parts Co. of Mora, and Paul Meland d/b/a All Seasons Lube Center (Clerk Doc. Nos. 244, 262) are **DISMISSED with prejudice** pursuant to Federal Rule of Civil Procedure 41;

5. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the conduct of Defendant Bill Clark Oil Co., in the amount of $1,650, with $1,146.70 in prejudgment interest, plus costs and attorneys' fees in an amount to be determined;

6. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the conduct of Defendant Royal Lube and Service, Inc., in the amount of $1,650, with $1,146.70 in prejudgment interest, plus costs and attorneys' fees in an amount to be determined;

7. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the conduct of Defendant 13 North Express Lube, Inc., in the amount of $1,650, with $1,146.70 in prejudgment interest, plus costs and attorneys' fees in an amount to be determined;

8. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the conduct of

Defendant Spots Quick Lube, in the amount of $1,650, with $1,146.70 in prejudgment interest, plus costs and attorneys' fees in an amount to be determined;

9. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the conduct of Defendant White Bear Tire & Auto, Inc., in the amount of $1,650, with $1,146.70 in prejudgment interest, plus costs and attorneys' fees in an amount to be determined;

10. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the conduct of Defendant Ultra-Lube, Inc., in the amount of $1,650, with $1,146.70 in prejudgment interest, plus costs and attorneys' fees in an amount to be determined;

11. In accord with the Court's June 18, 2004 and November 18, 2004 Orders, summary judgment is **GRANTED** in favor of Defendants Jiffy Lube International, Inc.; Indy Lube, Inc.; Fresh Start, Inc.; Lubrication Technologies, Inc.; Walt Gislason; Perfect "10" Quick Lube, Inc.; Regional Car Wash Distributors, Inc.; Mike's In and Out 10 Minute Oil Change; and Heartland Express Lube.

October 26, 2005
Date

RICHARD D. SLETTEN, CLERK

s/Jenny Beck
(By) Jenny Beck, Deputy Clerk

APPENDIX C

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

Transclean Corporation, James P. Viken, Jon A. Lang, and Donald E. Johnson, Plaintiffs,	Civ. File No. 02-1138 (PAM/RLE)
v.	**MEMORANDUM AND ORDER**
Bill Clark Oil Co., Inc., et al., Defendants.	

This matter is before the Court on three Motions filed by Plaintiffs Transclean Corporation, James P. Viken, Jon A. Lang, and Donald E. Johnson (collectively "Transclean"): (1) Motion for Entry of Default and Default Judgment Against Defendant Bob Clemons d/b/a Wonder Lube; (2) Motion for Determination of Damages; and (3) Motion for Contempt and Award of Sanctions against Defendants White Bear Tire & Auto, Inc. For the reasons that follow, the Motions are granted in part and denied in part.

BACKGROUND

This is a patent infringement case involving U.S. Patent 5,318,080, a patent for a machine that dispenses automatic transmission fluid ("'080 Patent"). Transclean is the exclusive licensee of the '080 Patent. In 1997, Transclean brought a patent infringement lawsuit against Bridgewood Services, Inc., the manufacturer of the T-Tech automatic transmission fluid charging device, a competing machine. Magistrate Judge Raymond L. Erickson eventually tried that case and a jury found for Transclean, awarding damages of

$1,874,500.[1] The Federal Circuit Court of Appeals affirmed the verdict and the damages award. *Transclean Corp.* v. *Bridgewood Servs., Inc.*, 290 F.3d 1364 (Fed. Cir. 2002) (*"Transclean I"*).

Shortly after the Federal Circuit's decision, Transclean instituted this action against thirty-eight Defendants, that included service stations and quick-lube centers who use the T-Tech device. Twenty-two Defendants have been voluntarily dismissed from the action.[2] Summary Judgment has been granted in favor of nine Defendants.[3] Seven Defendants are in default.[4]

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[1] The jury actually awarded Transclean approximately $5.5 million in damages, but Magistrate Judge Erickson reversed a portion of the award and entered a remittitur on a portion of the award.

[2] The following Defendants were previously dismissed from this action: Ashland Inc., d/b/a Valvoline Instant Oil Change; Chamberlain Oil Co.; Mielke Oil Co., Inc.; Beaudry Oil & Service, Inc.; C & M Trebelhorn, Inc., d/b/a Plaza Tire & Auto; S.S. Enterprises, Inc., d/b/a Professional Lube Center; Dave Norgarrd, d/b/a Crossroads Express Lube; MS Nelson, Inc., d/b/a Fridley Amoco Certicare; Tom's Repair Inc.; Wayne's Express, Inc., d/b/a Texaco Xpress Lube; Precision Auto Care, Inc.; John Larson, d/b/a Precision Tune; Mike Kost d/b/a Hi-Tech Tune Up; Tim Gleason, d/b/a Precision Tune; Dawson, Nystrom & Raiche Sales, Inc.; Car X Service Systems, Inc.; The Goodyear Tire & Rubber Company; Midas International Corporation; and Roseville Express Lube.

Pursuant to the terms of a settlement agreement, Transclean filed a Notice of Dismissal with Prejudice of Defendants Automotive Parts Headquarters, Inc. and National Bushing & Parts Co. of Mora on June 3, 2005. On September 7, 2005, Transclean also filed a Notice of Dismissal with Prejudice of Defendant Paul Meland, d/b/a All Seasons Lube Center. Accordingly, these Defendants are dismissed from this action.

[3] The Court found that claim preclusion prevented Transclean from seeking relief from the following Defendants: Regional Car Wash Distributors, Inc.; Walt Gislason, d/b/a Walt's Soft Cloth Car Wash; Perfect "10" Quick Lube, Inc.; Fresh Start, Inc.; Mike's

Transclean filed a Motion for Determination of Damages against Defendants Wonder Lube; Bill Clark Oil Co.; Royal

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In and Out 10 Minute Oil Change, LLC; Layne R. Base, d/b/a Heartland Express Lube; Lubrication Technologies, Inc.; Jiffy Lube International, Inc.; and Indy Lube, Inc.

[4] In November 2003 and November 2004, the Court entered default against these Defendants: Bill Clark Oil Co., Inc.; Royal Lube and Service, Inc.; Ultra-Lube, Inc.; 13 North Express Lube, Inc.; Spots Quick Lube, Inc.; and White Bear Tire & Auto, Inc. However, the Court declined to assess damages.

In June 2005, Transclean filed the instant Motion for Default against Defendant Bob Clemons d/b/a Wonder Lube. Under the Federal Rules of Civil Procedure, a default judgment motion may be granted only when "a party against whom a judgment for affirmative relief is sought has failed to plead or otherwise defend as provided by these rules." Fed. R. Civ. P. 55(a). This lawsuit has been pending for more than two years. Wonder Lube has failed to answer, plead, or otherwise respond despite Transclean's repeated notices to Wonder Lube that it would move for default judgment. The Court therefore finds Wonder Lube in default.

On September 13, 2005, the Court received a letter from Ken Nelson of Defendant 13 North Express Lube, Inc. Mr. Nelson, although not an attorney, objected to any characterization by Plaintiffs that 13 North Express Lube, Inc., was not in compliance with the Court's November 2003 Order, and also to any finding of contempt against it. Indeed, the evidence submitted by Mr. Nelson indicates that 13 North Express Lube, Inc. ceased using the infringing machine in September 2002. However, Plaintiffs do not seek an order of contempt against this Defendant. Rather, because the Court has already found 13 North Express Lube, Inc. in default, Plaintiffs are entitled to a determination of damages against this Defendant. *See* Fed. R. Civ. P. 55. If 13 North Express Lube, Inc. objects to the entry of default or the award of damages, then 13 North Express Lube, Inc. must obtain counsel and comply with the Federal Rules of Civil Procedures for setting aside default judgments. *See* Fed. R. Civ. P. 55; *see also Carr Enter., Inc.* v. *United States*, 698 F.2d 952, 953 (8th Cir. 1993) (corporations must be represented by counsel).

Lube and Service, Inc.; 13 North Express Lube, Inc.; Spots Quick Lube, Inc.; White Bear Tire & Auto, Inc.; and Ultra-Lube, Inc (collectively "Defaulting Defendants"). It seeks $10,000 against each Defaulting Defendant, as well as an award of prejudgment interest, costs, and attorneys' fees.

Transclean also filed a Motion for Contempt and Award of Sanctions against Defendant White Bear Tire & Auto, Inc. ("White Bear"). It contends that White Bear is violating the Court's default judgment Order by continuing to use infringing T-Tech devices to perform automatic transmission exchange services.

DISCUSSION

A. Determination of Damages

Transclean seeks an award of damages, plus prejudgment interest, attorneys' fees, and costs, against each Defaulting Defendant. In particular, Transclean seeks a royalty of $10,000 from each Defaulting Defendant. Transclean contends that it is entitled to these damages because these Defendants are in default.

In *Transclean I,* the Federal Circuit upheld the trial court's award of damages, a reasonable royalty which amounted to approximately $550 per infringing machine. *See Transclean I*, 290 F.3d at 1377. However, in this litigation, Transclean seeks $10,000 per infringing machine, premised on a use-based royalty theory of damages. In June 2004, although the Court determined that Transclean's claims against Defendant Jiffy Lube, Inc., and any other user of the T-Tech machine of which Transclean was aware or should have been aware during the pendency of *Transclean I* were precluded as a matter of law, the Court further noted the applicability of issue preclusion on the amount of damages Transclean was entitled to seek. The Court held that "[t]he issue of use-based royalty is certainly a theory of damages that could have been raised in the previous litigation," and that Transclean's failure to previously raise that theory precluded it from raising that theory in the instant litigation. (June 18, 2004

Order at 8). Accordingly, the Court determined that Transclean was limited to seeking a reasonable royalty for infringement—approximately $550 per infringing machine.

Transclean argues that the Court's June 2004 Order is inapplicable to the Defaulting Defendants, as these Defaulting Defendants waived the affirmative defense of issue preclusion because they failed to plead it as required under Federal Rule of Civil Procedure 8(c). Although the defense of issue preclusion is generally viewed as an affirmative defense that must be pled or is otherwise waived, this does not preclude the Court from raising the issue *sua sponte*. The law is clear that "if a court is on notice that it has previously decided the issue presented, the court may dismiss the action *sua sponte*, even though the defense has not been raised. This result is fully consistent with the policies underlying *res judicata*; it is not based solely on the defendant's interest in avoiding the burdens of twice defending a suit, but is also based on the avoidance of unnecessary judicial waste." *Arizona* v. *California*, 530 U.S. 392, 412 (2000) (quoting *United States* v. *Sioux Nation*, 448 U.S. 371, 432 (1980) (Rehnquist, J., dissenting)). Indeed, the "benefits of precluding relitigation of issues finally decided run not only to the litigants, but also to the judicial system." *Indep. Sch. Dist. No. 283* v. *S.D.*, 88 F.3d 556, 562 n. 5 (8th Cir. 1996). "[I]ssue preclusion serves an important public interest in avoiding inconsistent results in separate judicial proceedings," and "where the plaintiffs have had a full and fair opportunity to actually litigate the issue and did in fact litigate it, they can not ordinarily be prejudiced by subsequently being held to the prior determination." *Caldera* v. *Northrop Worldwide Aircraft Servs. Inc.*, 192 F.3d 962, 970 (Fed. Cir. 1999) (discussing waiver of issue preclusion).

Although the Court recognizes that the seven Defaulting Defendants have not participated in this litigation, the Court must consider and preserve its earlier rulings. *See Columbia Steel Fabricators, Inc.* v. *Ahlstrom Recovery*, 44 F.3d 800,

802-03 (9th Cir. 1995) (*sua sponte* applying *res judicata* to non-appearing defendant). In the interests of "comity, continuity in the law, and essential justice," as well as the fact that the defense arises out of this Court's earlier judgment, the Court raises the defense of issue preclusion *sua sponte*. *See Warnock* v. *Pecos County, Tex.*, 116 F.3d 776, 778 (5th Cir.1997); *see generally* 18 Charles Alan Wright, Arthur R. Miller & Edward H. Cooper, Federal Practice and Procedure § 4405; 47 Am. Jur. 2d *Judgments* § 708 ("An exception to the general rule that res judicata must be pleaded exists where the latter action arises in the same court as the earlier action, thus the court has independent notice of the prior judgment, or where all relevant data and legal records are before the court and demands of comity, continuity in law, and essential justice mandate invocation of res judicata principles. In such situations, a court may entertain the issue of the preclusive effects of the earlier judgment sua sponte, consistent with the res judicata policy of avoiding judicial waste.").

"Collateral estoppel, like the related doctrine of *res judicata,* has the dual purpose of protecting litigants from the burden of relitigating an identical issue with the same party or his privy and of promoting judicial economy by preventing needless litigation." *Parklane Hosiery Co., Inc.* v. *Shore*, 439 U.S. 322, 326 (1979) (citing *Blonder-Tongue Labs., Inc.* v. *Univ. of Ill. Found.*, 402 U.S. 313, 328-29 (1971)). Generally, collateral estoppel requires that the particular issue was actually litigated to finality and necessary to the prior action, and that the party against which it is asserted had a full and fair opportunity to litigate the issue. *See Blonder-Tongue Labs., Inc.*, 402 U.S. at 333; *Parklane Hosiery Co.*, 439 U.S. at 326 n. 5. Defensive collateral estoppel "occurs when a defendant seeks to prevent a plaintiff from asserting a claim the plaintiff has previously litigated and lost against another defendant." *Parklane Hosiery Co.*, 439 U.S. at 326 n. 4.

In *Transclean I*, Transclean had the full and fair opportunity to litigate its claim for infringement damages. The litigation proceeded through intense discovery, a lengthy jury trial, post-trial motion practice, and an appeal to the Federal Circuit Court of Appeals. Throughout that litigation, Transclean's theory of damages was premised on a reasonable royalty of approximately $550 per infringing machine. The Federal Circuit Court of Appeals upheld this damage determination, concluding that the damage award fully compensated Transclean for the infringing sales of the T-Tech machine. *Transclean I*, 290 F.3d at 1377. This damage award was actually litigated and essential to the judgment.

Despite this full and complete litigation on the issue of damages, Transclean now seeks a use-based royalty of $10,000 per machine. This proposition directly contradicts the theory of damages advanced in *Transclean I*, an issue previously decided by this Court and upheld on appeal. Transclean had full opportunity to pursue use-based damages in *Transclean I*, but only advanced the theory of reasonable royalty. Permitting Transclean to alter its theory of damages contravenes the principles of preclusion. Accordingly, the Court finds that the issue of use-based royalty is precluded and Transclean's damages are limited to reasonable royalties of approximately $550[5] per infringing machine against each of the Defaulting Defendants.

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[5] This amount is an approximation, because the Court's intense review of the record reveals that the evidence in *Transclean I* demonstrated that approximately 3400 T-Tech machines were sold by Bridgewood. (*See* Dec. 4, 2003 Pulju Decl. ¶¶ 8-9, Exs. 7-8). Transclean was awarded $1,874,500 in total damages in *Transclean I*. Thus, the amount of damages per machine is approximately $550. In an effort to conclusively determine the amount of damages, the Court therefore finds that an award of $550 per infringing machine is appropriate.

Transclean seeks an award of treble damages pursuant to 35 U.S.C. § 284 against each Defaulting Defendant.[6] Indeed, the Court deems the allegations in the Complaint as true because the Defaulting Defendants failed to answer or otherwise plead in this action. Thus, the Defaulting Defendants have willfully and intentionally infringed the '080 patent, and an award of enhanced damages is warranted. *See Rates Tech. Inc.* v. *Redfish Telemetris, Inc.*, No. 99-4644, 2001 WL 1825854, at *6 (E.D.N.Y. Dec.20, 2001) (awarding treble damages for infringement against defaulting defendant). Transclean is entitled to $1,650 from each Defaulting Defendant.

B. Prejudgment Interest

The purpose of prejudgment interest is "to ensure that the patent owner is placed in as good a position as he would have been had the infringer entered into a reasonable royalty agreement." *General Motors Corp.* v. *Devex Corp.*, 461 U.S. 648, 655 (1983). Accordingly, "a court should normally award prejudgment interest to afford the plaintiff full compensation for infringement." *Id.*

In *Transclean I*, the Court awarded Transclean prejudgment interest at the rate of prime plus one percent, compounded annually. The Court finds that a similar rate is appropriate in this case. Accordingly, using the average annual prime rate plus one percent compounded annually, the Court awards Transclean prejudgment interest against each Defaulting Defendant. Transclean shall submit an affidavit with the amount of prejudgment interest due on the $1,650 damage award.

C. Costs and Attorneys' Fees

Generally, "costs other than attorney's fees shall be allowed as of course to the prevailing party." Fed. R. Civ. P.

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[6] In the event that the Court awarded less than $10,000 against each Defaulting Defendant, Transclean argued in the alternative for treble damages.

54(d)(1). Because Transclean is the prevailing party, the Court awards Transclean its costs for bringing this lawsuit against the Defaulting Defendants.

Under 35 U.S.C. § 285, the Court may award attorneys' fees to the prevailing party in exceptional cases. Whether a case is "exceptional" is based on several factors, including "willful or intentional infringement, inequitable conduct before the Patent and Trademark Office, vexatious or unjustified litigation, or other misfeasant behavior." *Multiform Desiccants, Inc.* v. *Medzam, Inc.*, 133 F.3d 1473, 1481-82 (Fed. Cir. 1998). The prevailing party must show that the losing party acted in bad faith, with wrongful intent, or with gross negligence. *Machinery Corp. of Am.* v. *Gullfiber AB*, 774 F.2d 467, 473 (Fed. Cir. 1985).

Transclean contends that this case is "exceptional" because the Defaulting Defendants willfully infringed on the '080 Patent. Indeed, the Amended Complaint specifically alleges that the Defaulting Defendants willfully and intentionally infringed the '080 Patent. (Am. Comp. ¶ 62). By failing to respond to these allegations, the Defaulting Defendants have admitted they willfully and intentionally infringed the '080 Patent. Moreover, the Defaulting Defendants received actual notice of Transclean's patent rights at least by July 2002, when they were served with the Amended Complaint. Nevertheless, the Defaulting Defendants continued to use the infringing products. Because the Defaulting Defendants willfully infringed the '080 Patent, the Court finds that this is an exceptional case and will award Transclean *reasonable* attorneys' fees in an amount to be determined. The Court requests that Transclean submit a detailed affidavit to the Court itemizing its costs and fees.

D. Contempt and Sanctions

Transclean maintains that Defendant White Bear willfully infringed upon the '080 Patent-even after the Court permanently enjoined it from using any infringing T-Tech device. Transclean asks the Court to find White Bear in contempt

and sanction it accordingly. The Court may punish a party for disregarding or violating a court order. 18 U.S.C. § 401; *United States ex rel. Shell Oil Co.* v. *Barco Corp.*, 430 F.2d 998, 1000 (8th Cir. 1970). Indeed, the Court may hold a party in contempt for violating an injunction restraining him from infringing upon a patent. *Siebring* v. *Charles W. Hansen & Afsco Inc.*, 346 F.2d 474, 477 (8th Cir. 1965). "Judicial sanctions in civil contempt proceedings may, in a proper case, be employed for either or both of two purposes: to coerce the defendant into compliance with the court's order and to compensate the complainant for losses sustained." *Spindelfabrik Suessen-Schurr* v. *Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 903 F.2d 1568, 1578 (Fed. Cir. 1990). "Civil contempt may also be punished by a remedial fine, which compensates the party who won the injunction for the effects of his opponent's noncompliance." *Hutto* v. *Finney*, 437 U.S. 678, 691 (1978).

Defendant Lubrication Technologies, although not the subject of this Motion, submitted evidence suggesting that Transclean's claims against White Bear are precluded for the reasons articulated in the Court's June 18, 2004 Order. However, default was entered against White Bear in November 2003, and despite the Court's directive in the June 18, 2004 Order, White Bear has not come forward with evidence demonstrating that Transclean knew or should have been aware that White Bear was a user of the T-Tech machine. Accordingly, consistent with the Court's previous Orders, White Bear remains in default, and its continuous use of the T-Tech machine despite this Court's injunction renders it in contempt. The Court therefore awards Transclean its attorneys' fees and costs, in an amount to be determined, for bringing this Motion. The Court again requests that Transclean submit a detailed affidavit itemizing its costs and fees.

CONCLUSION

Based on the files, records, and proceedings herein, **IT IS HEREBY ORDERED** that:

1. Plaintiff Transclean Corporation's Motion for Order for Determination of Damages (Clerk Doc. No. 240) is **GRANTED in part and DENIED in part**;

2. Plaintiff Transclean Corporation's Motion for Entry of Default and Default Judgment against Defendant Bob Clemons d/b/a Wonder Lube (Clerk Doc. No. 242) is **GRANTED**;

a. Defendant Bob Clemons d/b/a Wonder Lube is permanently enjoined from further and continued sale or use of any automatic transmission fluid exchange device manufactured by the manufacturer of the T-Tech automatic transmission fluid charging device before May 1, 1998;

b. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant Bob Clemons d/b/a Wonder Lube, in the amount of $1,650 with interest to date, plus costs and attorneys' fees in an amount to be determined;

3. Plaintiff Transclean Corporation's Motion for Order of Contempt against Defendant White Bear Tire & Auto, Inc. (Clerk Doc. No. 244) is **GRANTED**;

a. Defendant White Bear Tire & Auto, Inc. is **IN CONTEMPT** for violating this Court's November 5, 2003 Order for Permanent Injunction through their continued use of automatic transmission fluid exchange devices that were manufactured by T-Tech Industries, Inc. before May 1, 1998;

b. Plaintiff Transclean Corporation is awarded its costs and attorneys' fees in an amount to be determined for bringing this Motion for Contempt against Defendant White Bear Tire & Auto, Inc.;

4. Defendants Automotive Parts Headquarters, Inc., National Bushing & Parts Co. of Mora, and Paul Meland d/b/a All Seasons Lube Center (Clerk Doc. Nos. 244, 262) are **DISMISSED with prejudice** pursuant to Federal Rule of Civil Procedure 41;

5. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant Bill Clark Oil Co., in the amount of $1,650, with interest to date, plus costs and attorneys' fees in an amount to be determined;

6. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant Royal Lube and Service, Inc., in the amount of $1,650, with interest to date, plus costs and attorneys' fees in an amount to be determined;

7. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant 13 North Express Lube, Inc., in the amount of $1,650, with interest to date, plus costs and attorneys' fees in an amount to be determined;

8. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant Spots Quick Lube, in the amount of $1,650, with interest to date, plus costs and attorneys' fees in an amount to be determined;

9. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant White Bear Tire & Auto, Inc., in the amount of $1,650, with interest to date, plus costs and attorneys' fees in an amount to be determined;

10. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant Ultra-Lube, Inc., in the amount of $1,650, with interest to date, plus costs and attorneys' fees in an amount to be determined; and

11. In accord with the Court's June 18, 2004 and November 18, 2004 Orders, summary judgment is **GRANTED** in favor of Defendants Jiffy Lube International, Inc.; Indy Lube, Inc.; Fresh Start, Inc.; Lubrication Technologies, Inc.; Walt Gislason; Perfect "10" Quick Lube,

Inc.; Regional Car Wash Distributors, Inc.; Mike's In and Out 10 Minute Oil Change; and Heartland Express Lube.

LET JUDGMENT BE ENTERED ACCORDINGLY.

Dated: September 29, 2005

s/ Paul A. Magnuson
Paul A. Magnuson
United States District Court Judge

APPENDIX D

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

Transclean Corporation, James P. Viken, Jon A. Lang, and Donald E. Johnson,	Civ. File No. 02-1138 (PAM/RLE)
Plaintiffs,	
v.	**MEMORANDUM AND ORDER**
Regional Car Wash Distributors, Inc.; Automotive Parts Headquarters, Inc.; Walt Gislason d/b/a Walt's Soft Car Wash; Ultra Lube, Inc.; Bob Clemons d/b/a Wonder Lube; Fresh Start, Inc.; Mike's In and Out 10 Minute Oil Change, LLC; Layne R. Base d/b/a Heartland Express Lube; Lubrication Technologies, Inc.; National Bushing and Parts Co. of Mora; John Larson d/b/a Precision Tune; Indy Lube, Inc.; Perfect "10" Quick Lube, Inc.;	
Defendants.	

This matter is before the Court on two Motions for Summary Judgment filed by Defendant Jiffy Lube International, Inc. ("Jiffy Lube"); a Motion for Summary Judgment filed by Defendants Regional Car Wash Distributors, Inc., Walt Gislason, and Mike's In and Out 10 Minute Oil Change, LLC; three Motions for Summary Judgment or Partial Summary Judgment filed by Plaintiffs; and a Motion to Supplement the Record and a Motion to Strike, both filed by Plaintiffs. Defendants Indy Lube, Inc., Fresh Start, Inc., Lubrication Technologies, Inc., Perfect "10"

Quick Lube, Inc., Regional Car Wash Distributors, Inc., Walt Gislason, and Mike's In and Out 10 Minute Oil Change, LLC, join Jiffy Lube's Motion for Summary Judgment on claim preclusion and damages.

BACKGROUND

Plaintiff Transclean Corporation ("Transclean") is the exclusive licensee of the so-called Viken patent, U.S. Patent 5,318,080. This patent teaches a machine that dispenses automatic transmission fluid. In 1997, Transclean brought a patent infringement lawsuit in this District against the manufacturer of a competing machine, the so-called "T-Tech machine." Magistrate Judge Raymond L. Erickson eventually tried that case and the jury found for Transclean, awarding damages of $1,874,500.[1] The Federal Circuit affirmed the verdict and the damages award. *Transclean Corp.* v. *Bridgewood Servs., Inc.*, 290 F.3d 1364 (Fed. Cir. 2002) (hereinafter, *"Transclean I"*).

Shortly after the Federal Circuit's decision, Transclean and the two patent holders instituted this action against service stations and quick-lube centers who use the T-Tech machine.

DISCUSSION

A. Plaintiffs' Motion for Default Judgment as to Defendant Ultra Lube, Inc.

As stated at the hearing on the various Motions, the Court will deny without prejudice Plaintiffs' motion for a default against Defendant Ultra Lube, Inc.. The owner of Ultra Lube communicated with both the Court and Plaintiffs prior to the hearing, and thus default is inappropriate at this time.

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[1] The jury actually awarded Transclean approximately $5.5 million in damages, but Magistrate Judge Erickson reversed a portion of the award and entered a remittitur on a portion of the award.

B. Jiffy Lube's Motion on claim preclusion and damages and Plaintiffs' Motion on Jiffy Lube's affirmative defenses of collateral estoppel and res judicata

In response to Jiffy Lube's Motion, Plaintiffs submitted an opposition brief that included arguments in support of Plaintiffs' Motion for Partial Summary Judgment on Jiffy Lube's affirmative defenses of collateral estoppel and res judicata. Because Plaintiffs' Motion is in large part a response to Jiffy Lube's claim and issue preclusion arguments, the Court will discuss the two Motions together.

1. *Claim Preclusion*

Jiffy Lube contends that Transclean is precluded from bringing infringement claims against Jiffy Lube under the principles of claim preclusion. According to Jiffy Lube, because Transclean litigated the infringement issue with respect to the T-Tech machines to a final judgment, and because Transclean knew during the previous litigation that Jiffy Lube had purchased and was using T-Tech machines, Transclean is precluded from trying to get another bite at the apple by bringing infringement claims against Jiffy Lube.

Claim preclusion is a doctrine that "treats a judgment, once rendered, as the full measure of relief to be accorded between the same parties on the same 'claim' or 'cause of action." 18 Charles A. Wright, Arthur R. Miller, & Edward H. Cooper, Federal Practice & Procedure § 4402 (2d ed.2002) (quoting *Kaspar Wire Works, Inc.* v. *Leco Eng'g & Mach., Inc.*, 575 F.2d 530, 535-36 (5th Cir. 1978)). "When a plaintiff obtains a judgment in his favor, his claim 'merges' in the judgment; he may seek no further relief on that claim in a separate action." *Id.* As the Supreme Court has stated, a judgment "puts an end to the cause of action, which cannot again be brought into litigation between the parties upon any ground whatever, absent fraud or some other factor invalidating the judgment." *Comm'r* v. *Sunnen*, 333 U.S. 591, 597 (1948).

The "general rule" of claim preclusion is

> when a court of competent jurisdiction has entered a final judgment on the merits of a cause of action, the parties to the suit and their privies are thereafter bound "not only to every matter which was offered and received to sustain or defeat the claim or demand, but as to any other admissible matter which might have been offered for that purpose."

Id. (quoting *Cromwell* v. *County of Sac*, 94 U.S. (4 Otto) 351, 352 (1876)). Thus, a Court evaluating whether claim preclusion should bar a party from asserting a claim must examine: first, whether there has been a final judgment on the merits of a cause of action; second, whether the court that issued the judgment was "of competent jurisdiction;" third, whether the person seeking to preclude a claim was a party or a privy to a party in the first litigation; and fourth, whether the claim sought to be precluded either was actually litigated or is a claim that "might have been offered" in the first litigation.

There is no dispute that the *Transclean I* litigation ended in a final judgment on the merits, and that the court was properly exercising jurisdiction in that matter. Nor does Transclean dispute that Jiffy Lube is in privity with the defendant in the prior litigation. (Pls.' Opp'n Mem. at 4 ("[Jiffy Lube and Bridgewood] are in privity because Bridgewood was a manufacturer of the infringing product and Jiffy Lube is a user of the same infringing product.")). Transclean also does not dispute that its claims against Jiffy Lube were claims that could have been brought in the previous litigation. Instead, Transclean argues that preclusion is inappropriate here because Transclean has not collected on the prior judgment and thus has not been paid in full for its claims.

According to Transclean, the judgment in the first litigation was not complete, and thus does not bar Transclean's claims against Jiffy Lube. Transclean argues that the judgment in the first case is not complete because Transclean has not collected from Bridgewood the damages Transclean was

awarded by the jury. In support of this argument, Transclean cites the Supreme Court case of *Birdsell* v. *Shaliol,* 112 U.S. 485 (1884). The *Birdsell* Court noted that a patentee will be precluded from raising claims against both a manufacturer and a user of an alleged infringing machine "only when actual damages have been paid" to the patentee. *Id.* at 488-89. Transclean also cites a number of cases holding that a patentee can sue both a manufacturer and a user of an alleged infringing machine.

The issue presented here is not whether Transclean may sue both the manufacturer of the T-Tech and the users of that machine. There is no doubt that Transclean has claims against both the manufacturer and users. The issue here is whether, having failed to bring claims in the first litigation against users of which it was aware, Transclean should now be barred from raising those claims.

Birdsell does not stand for the proposition that Transclean advances. At most, *Birdsell* stands for the proposition that, if a patentee does not receive adequate compensation for an infringing machine from the manufacturer of that machine, the patentee can seek such compensation from the users of that machine. Here, Transclean does not contend that the jury award of more than $1.8 million was not adequate compensation for the T-Tech's alleged infringement of the Viken patent. Rather, Transclean claims that it did not collect this amount from Bridgewood and so should be allowed to attempt to collect from Jiffy Lube and from other users. However, Transclean does not explain why it was unable to collect on the judgment against Bridgewood, nor does Transclean offer any description of the efforts it made to collect on the judgment. If Transclean sat on its hands and failed to collect on a valid money judgment, Transclean cannot now claim to be prejudiced by that failure. Transclean's failure does not allow Transclean to avoid the application of claim preclusion. "[A] plaintiff who chooses to bring two separate actions against two tortfeasors who are

jointly responsible for the same injury runs the risk that the court will find the parties sufficiently related that the second action is barred by claim preclusion." *Mars Inc.* v. *Nippon Conlux Kabushiki-Kaisha*, 58 F.3d 616, 620 (Fed. Cir. 1995). Transclean's claims against Jiffy Lube, and against all users of the T-Tech of which Transclean was or should have been aware during the pendency of the first litigation, are precluded as a matter of law.

Several Defendants filed papers purporting to join in Jiffy Lube's Motion. However, in order to take advantage of claim preclusion, these Defendants must show that Transclean was or should have been aware of their purchase or use of the T-Tech machine during the pendency of the previous litigation. Thus, summary judgment is not appropriate as to any other Defendant until those Defendants come forward with evidence that Transclean knew or should have known about them during the *Transclean I* litigation, absent a concession by Transclean that it could have brought claims against these Defendants in the prior litigation.

2. *Damages*

It is not necessary for the Court to reach Jiffy Lube's alternative argument as to Plaintiffs' claims against Jiffy Lube. However, because some of the remaining Defendants may not be entitled to claim preclusion, it is appropriate to discuss Jiffy Lube's alternative argument, because that argument may impact Plaintiffs' claims against the remaining Defendants.

Jiffy Lube contends that Transclean should be barred from relitigating the damage award it received in the first litigation. In the previous litigation, the court determined that Transclean's damages were approximately $550 per infringing machine. In this litigation, Transclean seeks damages of approximately $10,000 per infringing machine. According to Jiffy Lube, Federal Circuit precedent prohibits the use-based royalty that Transclean seeks, and in any event, Transclean's new damages theory should be barred by issue preclusion.

Jiffy Lube argues that the Federal Circuit has held that a plaintiff in a patent infringement case cannot ask for different damages from different infringers. *Stickle* v. *Heublein*, 716 F.2d 1550, 1561-62 (Fed. Cir. 1983). Jiffy Lube contends that *Stickle* stands for the proposition that, absent evidence of a practice of use-based royalties in the industry, a patentee cannot secure damages based on a use-based royalty.

This portion of Jiffy Lube's Motion is the subject of Transclean's Motion to Supplement the Record. In the Motion to Supplement, Transclean contends that only days before Transclean's response to Jiffy Lube's Motion was due, Jiffy Lube disclosed evidence that it pays use-based royalties for some machines it uses. This evidence, Transclean claims, makes *Stickle* inapposite. Jiffy Lube does not object to supplementing the record with the evidence, but does object to Transclean's attempt to paint Jiffy Lube as somehow unethical in its disclosure of the evidence.

Ultimately, it is of no moment whether the new evidence shows a practice of use-based royalties in the quick-lube business or not. If claim preclusion does not bar all of Transclean's claims, then issue preclusion bars Transclean from pursuing different damages in this litigation than it claimed in the previous litigation. The final judgment in the prior litigation was damages of approximately $550 per infringing T-Tech machine. Transclean did not challenge on appeal either the amount of this damage award or the manner in which damages were calculated. The final award itself was a significant remittitur of the jury's damage award. Moreover, the Federal Circuit characterized the damage award as full compensation for Bridgewood's infringing sales of the T-Tech machine. *Transclean I*, 290 F.3d at 1377.

As noted above, the principles of preclusion operate to prevent a party from raising in a second litigation either an issue that was finally adjudicated in a prior litigation or an issue that could have been raised in the prior litigation. The issue of use-based royalty is certainly a theory of damages

that could have been raised in the previous litigation. Transclean chose not to raise this damages theory, and must suffer the consequences of its choice. Even if Transclean's claims against Jiffy Lube are not precluded, Transclean's use-based royalty theory of damages is precluded.

C. Jiffy Lube's Motion for Summary Judgment of Noninfringement and Plaintiffs' Motion to Strike

Because Plaintiffs' claims against Jiffy Lube are precluded as a matter of law, Jiffy Lube's Motion on the issue of noninfringement is moot.[2] Plaintiffs have moved to strike this Motion, and while the Motion to Strike is likewise moot, the situation giving rise to the Motion to Strike is worthy of comment.

Plaintiffs filed a Motion to Strike the Motion for Summary Judgment as untimely under the scheduling order for this matter. The scheduling order provided that dispositive motions would be noticed, filed, and heard on or before April 1, 2004. The original hearing date for the pending Motions was April 1. Because of the Court's schedule and the parties' schedules, the hearing was moved several times and eventually was scheduled for more than two months after the dispositive motion cut-off. After the hearing date was moved, Jiffy Lube filed the instant Motion on the issue of noninfringement. According to Jiffy Lube, the Motion is not untimely because it was filed within the time required by Local Rule 7.1(b), which sets the briefing schedule for dispositive motions based on the hearing date for the motion.

It appears to the Court that the confusion with respect to the timing of this Motion arises out of the changes to the Local Rules brought about by Electronic Case Filing. Although the Local Rules do not purport to change scheduling orders in any given case, the Local Rules drastically changed the rules for the filing of briefs. The previous

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[2] No other Defendant joined Jiffy Lube's Motion on noninfringement.

procedure was that all briefs on a motion were filed together, and only after briefing was complete would the moving party seek a hearing date from the Court. The new Local Rules provide that the moving party first secures a hearing date, and then the briefing schedule flows from that hearing date.

In this Court, at least, the new Local Rules do not alter the Court's scheduling orders. If a scheduling order requires dispositive motions to be noticed, filed, and heard by a certain date, the parties should not assume, if the hearing is ultimately moved to a date months after the dispositive motion cut-off, that any new motions may be filed after the dispositive motion cut-off. A scheduling order means what it says, and dispositive motions must be, at the very least, fully briefed by the date required in the scheduling order. The rescheduling of hearings does not toll the dispositive motion deadline absent specific order of the Court to that effect.

D. Motion of Regional Car Wash Distributors, et al.

Defendants Regional Car Wash Distributors, Inc., Walter Gislason, and Mike's In and Out 10 Minute Oil Change, LLC, move for summary judgment on the same claim preclusion and issue preclusion grounds raised in Jiffy Lube's Motion. The moving brief recites Jiffy Lube's arguments of claim preclusion and issue preclusion on damages, but does not offer any additional evidence that Transclean knew or should have known about T-Tech purchases by these Defendants.[3] Rather, the brief states generally that Transclean "introduced evidence at trial [in *Transclean I*] concerning the purchase of T-Tech machines by Jiffy Lube and other customers." (Defs.' Supp. Mem at 9). Thus, as noted above, until Defendants come forward with evidence that Transclean knew or should have known about their use of the T-Tech machines, summary judgment on claim preclusion is not appropriate as to these Defendants.

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[3] However, as in the opposition to Jiffy Lube's Motion, Transclean concedes that these Defendants and Bridgewood are in privity. (Pls.' Opp'n Mem. at 6 n.4).

There is one issue in this Motion that is not presented in Jiffy Lube's Motion. That issue is whether Defendant Walter Gislason can be liable for infringement of the T-Tech machines at all, whether or not Transclean's claims against him are precluded. Defendant Gislason is a 50% shareholder and corporate officer of Defendant Mike's In and Out 10 Minute Oil Change, LLC ("Mike's"). According to Transclean, Gislason is liable for inducing Mike's willful infringement of Transclean's patent. Transclean contends that because Mike's had notice in July 2002 that its use of the T-Tech machine infringed Transclean's patents, and because Mike's did not stop using the T-Tech machine, Mike's infringement is willful. Because Gislason allegedly knew about the notice and did nothing to stop Mike's continuing use of the infringing machine, Transclean contends that Gislason can be personally liable for Mike's infringement.[4]

As an initial matter, if Transclean's infringement claim against Mike's is barred by claim preclusion, then its claim against Gislason fails as well, because there is no liability for inducing infringement unless there is an actual infringement by the party alleged to have been induced. *See Young Dental Mfg. Co. v. Q3 Special Prods., Inc.*, 891 F. Supp. 1345, 1348 (E.D. Mo. 1995). However, if Transclean's claim against Mike's is not barred, then Gislason can be liable for inducing Mike's alleged infringement if Gislason intended to cause the infringement or encouraged Mike's to infringe. *Maxwell* v. *K Mart Corp.*, 851 F. Supp. 1343, 1349 (D. Minn. 1994) (Doty, J.). Although the citations to the record are sparse, the evidence shows that questions of fact exist as to whether Gislason was aware of Transclean's lawsuit, the Viken patent, and that Transclean had secured a judgment of

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[4] Transclean also claimed in the Amended Complaint that Gislason was personally liable for the infringement by Regional Car Wash Distributors, Inc. However, Transclean does not mention this claim in its opposition to the instant Motion and thus apparently concedes that this claim should be dismissed.

infringement against Bridgewood. Thus, questions of fact remain as to whether Gislason should have but did not stop Mike's from using the alleged infringing machines, or whether he should have sought the advice of counsel on the allegations in the Amended Complaint. The evidence in the record, taken in the light most favorable to Transclean, could establish that Gislason possessed the requisite intent to induce Mike's to infringe the patent. If Transclean's claim against Mike's survives, then its claim against Gislason for inducing Mike's infringement likewise survives.

E. Plaintiffs' Motion for Partial Summary Judgment on the affirmative defenses of waiver, estoppel, acquiescence, laches, statute of limitations, etc.

Only Jiffy Lube responded to this Motion. However, because Transclean's claims against Jiffy Lube are barred by claim preclusion, this Motion is moot as to Jiffy Lube. The Motion will be granted as to the other Defendants named in the Motion.

F. Plaintiffs' Motion on Issue Preclusion and the Affirmative Defense of Obviousness

In this Motion, Plaintiffs contend that all remaining Defendants are bound by the judgment of infringement rendered in *Transclean I* and should be precluded from claiming non-infringement. In technical terms, while Jiffy Lube seeks defensive non-mutual claim preclusion, Plaintiffs seek non-mutual offensive issue preclusion. As the Court has held, Transclean is precluded from raising infringement claims against Jiffy Lube and perhaps against other users of the T-Tech machine. However, Transclean has not established that these users are bound by the previous finding of infringement. In particular, because the determination of infringement in *Transclean I* was in large part a sanction for abuse of discovery against Bridgewood, the issue of infringement was not actually litigated in the prior litigation, as is required to apply the infringement judgment against non-parties.

The parties do not dispute the necessary elements for the application of issue preclusion. Issue preclusion will apply to bar a party or its privy from litigating issues that have previously been litigated if: (1) the issue is identical with an issue in the prior proceeding; (2) the issue was actually litigated; (3) the determination on the issue was necessary to the judgment; and (4) the party defending against preclusion had a full and fair opportunity to litigate that issue. *See Banner* v. *United States*, 238 F.3d 1348, 1354 (Fed. Cir. 2001).

There is no dispute that the infringement issues in the instant matter are identical to the infringement issues in the *Transclean I* litigation. It is interesting to note, however, that while in the context of this Motion, Transclean contends that the issues are identical, in the context of Jiffy Lube's Motion, Transclean insists that the issues are different.

The dispute between the parties on this Motion is whether the issue of infringement was "actually litigated" within the meaning of the issue preclusion doctrine. In the previous litigation, Transclean contended that the T-Tech machine infringed claims 1, 2, 3, 4, 12, and 13 of the Viken patent. These same claims are at issue in this litigation. In *Transclean I*, Magistrate Judge Erickson granted Transclean summary judgment of infringement as to claims 1, 2, 3, 4, and 12, and the jury ultimately found that Bridgewood infringed claim 13. Thus, at least at first glance, it appears that the same infringement issues in dispute in the instant matter were fully litigated in the prior litigation. However, Magistrate Judge Erickson's determination that Bridgewood infringed five claims of the patent rested on his decision to preclude Bridgewood from arguing noninfringement as a sanction for Bridgewood's failure to answer an interrogatory. *Transclean I*, 290 F.3d at 1369. Thus, the question remains whether a judgment of infringement based on a discovery sanction constitutes an actual litigation of infringement sufficient to invoke issue preclusion.

In this portion of its argument, Transclean accuses Jiffy Lube of "blatant mischaracterization" of the record by stating that the summary judgment of infringement was a discovery sanction. (Pls.' Supp. Mem. at 12). Transclean's inflammatory and baseless accusations are not well-taken. Indeed, the Federal Circuit itself recognized that the grant of summary judgment in *Transclean I* was a discovery sanction. *See Transclean I*, 290 F.3d at 1373 ("We conclude that the district court acted within its discretion when it granted summary judgment of infringement as a discovery sanction."). Transclean would be well-advised to refrain from accusations against opposing counsel that have no basis in law or fact.

Transclean also argues that, because the jury determined that Bridgewood infringed claim 13 of the patent, and because claim 13 is a dependent claim that incorporates claim 1 of the patent, the jury determined that Bridgewood infringed claim 1 of the patent. Claim 1 is the only independent claim in the patent. However, the jury in *Transclean I* was instructed that Bridgewood had infringed claim 1, and only determined whether Bridgewood infringed the single element of claim 13 that was not also found in claim 1. Thus, the argument that a finding of infringement of claim 13 necessarily means that the jury found infringement of claim 1 is disingenuous at best. Moreover, the Federal Circuit vacated the jury's verdict of infringement of claim 13, leaving the only infringement findings those based on the discovery sanction imposed by Magistrate Judge Erickson.

Transclean has cited no case, and indeed it is unlikely that there is such a case, holding that a judgment based solely on a discovery sanction constitutes "actual litigation" for the purposes of issue preclusion. Although Transclean may have had a full opportunity to present evidence on its claims of infringement, there is no doubt that Bridgewood did not. Thus, Bridgewood's privies, Defendants here, cannot be precluded from relitigating the infringement issue. Transclean's issue preclusion argument fails.

CONCLUSION

Jiffy Lube has established that claim preclusion bars Plaintiffs' claims against Jiffy Lube and against other Defendants of which Plaintiffs knew or should have known during the pendency of the previous litigation. Further, Jiffy Lube has established that, if any claims of infringement remain, Plaintiffs are limited to the per-machine damages established in the previous litigation.

Accordingly, **IT IS HEREBY ORDERED** that:

1. Plaintiffs' Motion for Default Judgment as to Defendant Ultra Lube (Clerk Doc. No. 133) is **DENIED without prejudice**;

2. Defendant Jiffy Lube's Motion for Summary Judgment on claim preclusion or, in the alternative, for partial summary judgment on damages (Clerk Doc. Nos. 144, 154) is **GRANTED**;

a. Plaintiffs' Motion to Supplement Record as to this Motion (Clerk Doc. No. 173) is **GRANTED**;

3. Defendant Jiffy Lube's Motion for Summary Judgment of non-infringement (Clerk Doc. No. 191) is DENIED as moot;

a. Plaintiffs' Motion to Strike this Motion (Clerk Doc. No. 198) is **DENIED**;

4. Defendant Regional Car Wash Distributors, et al.'s Motion for Summary Judgment (Clerk Doc. No. 164) is **DENIED** without prejudice;

5. Plaintiffs' Motion for Summary Judgment on Jiffy Lube's affirmative defenses of collateral estoppel and res judicata (Clerk Doc. No. 204) is **DENIED**;

6. Plaintiffs' Motion for Partial Summary Judgment on the affirmative defenses of waiver, estoppel, acquiescence, laches, statute of limitations (Clerk Doc. No. 177) is **DENIED as moot** as to Defendant Jiffy Lube and **GRANTED** as to other Defendants;

7. Plaintiffs' Motion for Summary Judgment on issue preclusion and the affirmative defense of obviousness (Clerk Doc. No. 177) is **DENIED**.

Dated: June 18, 2004

s/ Paul A. Magnuson
Paul A. Magnuson
United States District Court Judge

APPENDIX E

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

06-1077

TRANSCLEAN CORPORATION, JAMES P. VIKEN, JON A. LANG, and DONALD E. JOHNSON,

Plaintiffs-Appellants,

v.

JIFFY LUBE INTERNATIONAL, INC.,

Defendant-Appellee,

and

REGIONAL CAR WASH DISTRIBUTORS, INC., WALT GISLASON (doing business as Walt's Soft Car Wash), and MIKE'S IN AND OUT 10 MINUTE OIL CHANGE,

Defendants-Appellees,

and

INDY LUBE, INC.,

Defendant-Appellee,

and

FRESH START, INC., LUBRICATION TECHNOLOGIES, INC., LAYNE R. BASE (doing business as Heartland Express Lube), and PERFECT "10" QUICK LUBE, INC.,

Defendants-Appellees,

and

ULTRA LUBE, INC.,

Defendant,

and

BOB CLEMONS (doing business as Wonder Lube), BILL CLARK OIL CO., INC., ROYAL LUBE SERVICE, INC., 13 NORTH EXPRESS LUBE, INC., SPOT'S QUICK LUBE, INC., and WHITE BEAR TIRE & AUTO, INC.,

Defendants.

ORDER

NOTE: This order is nonprecedential.

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellant, and a response thereto having been invited by the court and filed by the Appellee, and the petition for rehearing and response, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on March 30, 2007.

FOR THE COURT,

/s/

Jan Horbaly

Clerk

Dated: 03/23/2007

cc: Alan M. Anderson
James W. Porodek
R. Gutenkauf, D. Hoiland, G. Anderson

TRANSCLEAN CORP. v. JIFFY LUBE, 2006-1077
(DCT -02-CV-1138)